

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 SS-15 STR-07 CEA-01 ICAE-00
SSO-00 NSCE-00 INRE-00 IO-13 L-03 /091 W
-----011842 211459Z /50

O R 211420Z JUN 78
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TO SECSTATE WASHDC IMMEDIATE 2376
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AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMCONSUL ADANA

C O N F I D E N T I A L ANKARA 4633

USOECN USEEC
E.O. 11652: GDS
TAGS: EFIN, TU
SUBJ: TURKS ASK US GUARANTY OF BIS LOAN FOR \$500 MILLION

SUMMARY: TURKISH GOVERNMENT ASKS THAT USG PARTICIPATE IN
GUARANTY OF \$500 MILLION LOAN WHICH TURKEY HAS REQUESTED FROM
BANK FOR INTERNATIONAL SETTLEMENTS (BIS). TURKS ARE OPENING
ROUND OF DIPLOMATIC CONTACTS TO OBTAIN BACKING OF OTHER
GOVERNMENTS AS WELL. TURKISH TREASURY OFFICIAL SAID
CURRENT BALANCE-OF-PAYMENT ESTIMATE FOR 1978 SHOWS GAP OF
\$498 MILLION, ASSUMING PRIVATE BANKS PROVIDE FRESH CREDITS
OF \$500 MILLION THIS YEAR. BIS CREDIT IS SAID TO BE BADLY
NEEDED. EMBASSY IS SEEKING DETAILS ON REVISED BALANCE-OF
PAYMENTS OUTLOOK AND WILL PROVIDE THIS INFORMATION TOGETHER WITH
RECOMMENDATION. END SUMMARY
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1. TURKEY HAS ASKED THE BANK FOR INTERNATIONAL SETTLEMENTS
(BIS) FOR A MEDIUM TERM CREDIT OF \$500 MILLION BUT ACTION ON
THE REQUEST HAS BEEN POSTPONED PENDING EITHER A TURKISH OFFER
OF COLLATERAL OR A GUARANTY BY GOVERNMENTS, AYSEL OYMEN,
DIRECTOR GENERAL OF FOREIGN FINANCING, TURKISH TREASURY,
TOLD ECON/COM COUNSELOR JUNE 19. FIRST ALTERNATIVE IS

IMPOSSIBLE, ACCORDING TO OYMEN. SHE ASKED THAT US GOVERNMENT PARTICIPATE IN GUARANTY OF THIS CREDIT.

2. MRS OYMEN SAID THAT TURKISH NATIONAL PSYCHOLOGY DID NOT PERMIT GOVERNMENT TO OFFER ITS GOLD RESERVES (CURRENTLY \$149.1 MILLION AS VALUED BY IMF) AS COLLATERAL. TURKS ATTACH SPECIAL IMPORTANCE TO GOLD AS STORE OF LAST RESORT. ASSIGNMENT OF TURKEY'S OFFICIAL GOLD RESERVES AS COLLATERAL WOULD BE PUBLIC ISSUE OF GREAT SENSITIVITY, SHE SAID. IMPLICATION WAS THAT USE OF GOLD FOR THIS PURPOSE COULD SHAKE CONFIDENCE IN ECONOMIC MANAGEMENT OF ECEVIT GOVERNMENT.

3. TURKS ARE OPENING A ROUND OF DIPLOMATIC CONTACTS ON THIS SUBJECT AND WILL BE SENDING US A LETTER. MRS. OYMEN REGRETTED THAT GOT HAD NOT ADEQUATELY PREPARED THE GROUND FOR ITS REQUEST AT BIS ANNUAL MEETING BY PRIOR CONSULTATION WITH OTHER CENTRAL BANKS. GOVERNOR DE STRYCKER OF CENTRAL BANK OF BELGIUM AND REPRESENTATIVES OF SOME SMALLER COUNTRIES PRESENT AT MEETING SUPPORTED THE LOAN, BUT NETHERLANDS, MRS. OYMEN ACKNOWLEDGED, HAD BEEN NEGATIVE.

4. OYMEN SAID THAT THE \$500 MILLION WAS "BADLY NEEDED" BY TURKEY. CURRENT BALANCE-OF-PAYMENT ESTIMATE FOR 1978 SHOWED A GAP OF ABOUT \$494 MILLION, EVEN ASSUMING THAT THE PRIVATE BANKS WILL BE ABLE TO PROVIDE \$500 MILLION THIS YEAR. WITHOUT SUCH AN AMOUNT FROM BIS AS WELL, OYMEN WAS DEEPLY CONCERNED

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THAT ECONOMIC ACTIVITY WOULD CONTINUE FAR UNDER CAPACITY. IMF DISBURSEMENT OF \$150 MILLION HAS BEEN COMPLETELY USED. GERMANS HAVE MADE AVAILABLE DM 50 MILLION. LIBYANS WILL BE PROVIDING \$100 MILLION IN IMPORT FINANCING THIS WEEK OR NEXT, BUT NO FURTHER FUNDS ARE AVAILABLE EXCEPT FOR INADEQUATE EXPORT EARNINGS AND DEPRESSED WORKER REMITTANCES.

5. WHILE OYMEN BELIEVED THAT COMMERCIAL BANK REPRESENTATIVES WOULD BE COMING TO TURKEY JUNE 22 WITH A FINAL PROPOSAL FOR A DEBT RESCHEDULING AND A NEW CREDIT, SHE WAS DISAPPOINTED THAT THEY ARE NOW TALKING ABOUT SPREADING DISBURSEMENT OF NEW MONEY OVER AN EXTENDED PERIOD. TURKS HAVE ASKED THE BANKS FOR \$500 MILLION IN NEW MONEY BUT THEY DO NOT KNOW WHAT AMOUNT THE BANKS WILL FINALLY OFFER. THEY UNDERSTAND THAT THE EIGHT LEAD BANKS TOGETHER WILL PROVIDE \$200 MILLION AND THAT THESE ARE NOW CIRCULATING A PLACEMENT MEMORANDUM AMONG SMALLER BANKS TO DRAW ADDITIONAL FUNDS.

6. OYMEN SAID THAT THERE ARE, FURTHERMORE, NO LONGER ANY SIGNIFICANT EXTERNAL MEANS OF FINANCING IMPORTS. TURKEY HAS PROHIBITED IMPORTS ON A CASH-AGAINST-GOODS BASIS. FEW BLACK-MARKET PAYMENTS FOR IMPORTS ARE PRESENTLY GOING ON.

THE DIFFERENTIAL BETWEEN THE BLACK MARKET AND THE OFFICIAL RATE FOR THE LIRA IS NOW NARROW. THE MOVEMENT ABROAD OF TURKISH TOURISTS, FORMERLY INSTRUMENTAL IN BLACK-MARKET OPERATIONS, IS LIMITED. IMPORTS WITH WAIVER HAVE BEEN RESTRICTED.

7. MRS. OYMEN MENTIONED THAT CHAIRMAN MILLER AND GOVERNOR WALLICH OF THE FEDERAL RESERVE BOARD, AND SCOTT PARDEE, VICE PRESIDENT OF THE FEDERAL RESERVE BANK OF NEW YORK, ATTENDED THE BIS MEETING ALONG WITH PRESIDENT MOORE OF THE EXPORT-IMPORT BANK.

8. EMBASSY IS REQUESTING FURTHER DETAILS ON CURRENT BALANCE-OF-PAYMENTS OUTLOOK AND WILL PROVIDE RECOMMENDATION ON THIS CONFIDENTIAL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ANKARA04633
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780258-1146
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780637/aaaabgdw.tel
Line Count: 138
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0899b784-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2272254
Secure: OPEN
Status: NATIVE
Subject: TURKS ASK US GUARANTY OF BIS LOAN FOR \$500 MILLION SUMMAYR: TURKISH GOVERNMENT ASKS THAT USG PARTICIPATE IN GUARANTY OF \$500 MILLION LOAN WHICH TURK EY HAS REQ
TAGS: EFIN, TU
To: STATE USOECD MULTIPLE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/0899b784-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014